



IRAQ'S PRECARIOUS STABILITY

Iraq's crude production seems to have found stability around the 4.2-4.4 million b/d level despite disparate difficulties in either the Kurdish north or Iraqi south. Yet, the political situation in Baghdad is still quite precarious perhaps explaining why production has not sustained higher levels. At the same time, the battle for market share is intense. As a result, we do not expect higher Iraqi output and do see continued difficulties maintaining output.

Even as the Iraqi government claimed crude exports reached almost 3.4 million b/d in April, it seems political upheaval inside the country is continuing, highlighted this past week by protesters breaking into the country's parliament and setting up camp in the secure area known as the "Green Zone" in Baghdad. Prime Minister Haidar al-Abadi's government has been under pressure to both end corruption and reduce the current political quota system that has been associated with perceptions of favoritism and self-dealing by ministers and their supporters. U.S. Vice President Joe Biden visited Baghdad this past week to urge the various political factions to work together to bring about reform and hold together a country that is riven not just by a war against ISIS but has been unable, since the overthrow of Saddam Hussein's regime in 2003, to develop a working political system that satisfies the needs of a large number of Iraqis. The inability of the government to develop a modus vivendi among the various political factions has been exacerbated by the drop in global oil prices which has further squeezed the ability of the government, or indeed factions within the Iraqi government, to provide services or pay off patrons. It is unclear how this particular crisis is going to be resolved, and in the meanwhile the fight against ISIS could continue to be hampered by the broader government dysfunction.

Prime Minister al-Abadi's government has been attempting to replace some existing ministers with more technocratic candidates in order to reduce the wide-spread concern about corruption. This attempt has been stalled however, and it appeared that supporters of Shiite cleric Moqtada al-Sadr invaded the Green Zone and parliament over the weekend in an attempt to show displeasure at the lack of reform. On the one hand, it appears that al-Sadr, an influential cleric whose supporters have backed the Shiite-led governments in Baghdad, is supporting al-Abadi's efforts to change out ministers accused of corruption. On the other, however, the invasion of parliament and ongoing protests show the weakness of the al-Abadi government. It appears that al-Sadr and his supporters are attempting to create political change at a time when the sitting government appears unable to make any change. The government appeared to allow the invasion as members of al-Sadr's militia and government guards were seen jointly providing security after areas of the Green Zone were breached by the protesters. The protests, and indeed the occupation of portions of the Green Zone, continue as of this writing. It is unclear whether the protests will lead to actual political action – namely the replacement of ministers or the broader abolition of the party-based quota system for ministers in the Iraqi government. Even if ministers are ultimately replaced as a result of these protests, it is equally unclear whether the new ministers – technocrats or party representatives – will be able to bring about meaningful governance in the face of low oil revenues and ongoing fighting against ISIS.

The United States continues to support the al-Abadi government both because it represents the system that Washington established in the wake of its 2003 invasion and also because a unified Iraqi government likely represents the best chance of combating ISIS. U.S. military spokesmen indicated that the current government turmoil has not affected U.S. support for Iraqi government efforts against ISIS. However, major efforts such as retaking Mosul from ISIS will require a sustained degree of cooperation between government troops, Shiite militia groups (some with Iranian advisors), Sunni militia groups who have broken with ISIS, and Kurdish Peshmerga forces. While tactical coordination among the various groups can be somewhat sustained despite turmoil in Baghdad, the broad-based effort necessary to take back Mosul and the region surrounding it will require a more functional and functioning government than looks likely anytime soon.

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